

Quarterly Report Q4, 2005

Full Year Report January 1 - December 31, 2005

CHERRYFÖRETAGEN AB (publ)
Stockholm, Sweden, 16 February, 2006



All figures in this report are in SEK. Figures inside brackets relate to the same period of last year's figures.

Quarter 4

- **Cherry's online gaming continued to develop very strongly during Q4**
- **Betsson's active poker customers increased by 47 per cent compared to Q3**
- **Betsson's customers increased from 189.000 to 242.000**
- **Net Entertainment's success continues, profit increased with 64 per cent to SEK 9.2 (5.6) million**
- **Group net sales increased by 66 per cent to SEK 136.6 (82.3) million**
- **Operating increased to SEK 13.9 (2.8) million**

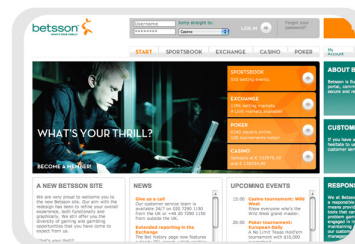
Full Year 2005

- **Group net sales increased by 45 per cent to SEK 452.4 (311.1) million**
- **Operating profit increased to SEK 45.8 (16.6) million**
- **Profit after financial items amounted to SEK 187.1 (16.5) million**
- **Introduction of IFRS affected net financial income for the year by SEK 135 million**
- **Profit after tax amounted to SEK 178.1 (12.1) million, SEK 4.91 (0.37) per share**

"We ended 2005 with a very strong growth in the poker"

"Within Net Entertainment we see our newer games generating higher incomes, which in turn increases our revenue further."

"During this period Betsson has dedicated a large amount of resources on the development of a new platform that launched in the beginning of February 2006. This platform gives us a stable foundation for continued growth in existing and new markets" says Pontus Lindwall, President of Cherry.



Group

Quarter

Cherry's net sales increased by 46 per cent to SEK 136.6 (82.3) million during the quarter. Cherry Online reported substantially increased revenue. SEK 42.5 million of the increase in net sales compared with the previous year relates to the effects of the Betsson acquisition.

The Group's operating profit amounted to SEK 13.9 (2.9) million. Net Entertainment reports an increase in profit of more than 60 per cent and Cherry Online has turned a loss of SEK -2.8 million last year to a profit of SEK 7.9 million during the quarter. During the period, substantial funds were dedicated to the development and preparation for continued growth under 2006.

Profit/loss after financial items amounted to SEK 16.7 (0.7) million and profit after tax to SEK 17.0 (0.3) million, which represents SEK 0.43 (0.01) per share. Net financial income included a capital gain from the sales of Cherry's stockholdings in Establish of SEK 3.8 million as well as a SEK -2.0 million for the writedown of stockholdings in Aciago.

Full Year

Group net sales increased by 45 per cent to SEK 452.4 (311.1) million during the year. Both Cherry Online and Net Entertainment reported significantly increased net sales. SEK 121.5 million of the increase in net sales compared with the previous year relates to acquisition effects (Betsson SEK 111.1 million and traditional casino operations SEK 10.4 million).

Operating profit during the year amounted to SEK 45.8 (16.6) million. Both Net Entertainment and Cherry Online reported significantly increased profit compared with previous year, while Cherry Casino's traditional operations reported a somewhat lower result than the previous year. The Group's operating margin increased to 10.1 (5.3) per cent. For the group's Internet-related activities, the operating margin increased 24.9 per cent.

Profit after financial items increased to SEK 187.1 (16.5) million. Net financial income includes the valuation of financial instruments at fair market value, which was reported in the income statement from Q1 at SEK 135.0 million. The transaction related to the valuation of subscription rights/call options in Betsson at fair market value based on the external valuation of the company carried out prior to its acquisition. The valuation of Betsson was set at this time at SEK 590 million.

Profit after tax amounted to SEK 178.1 (12.1) million, which represents SEK 4.91 (0.37) per share

Return on equity was 44 (13) per cent and return on total capital 40 (12) per cent. Equity per share amounted to SEK 12.38 (3.19) at the closing date.

Business areas

Cherry's operations are divided into three business areas as of 1 January, 2005:

- Cherry Online - globql online gaming via Betsson.com and CasinoEuro.com
- Net Entertainment - development and sales/licensing of games and gaming systems, Casino Module
- Cherry Casino - traditional casino games and gaming machines, primarily in Sweden, Denmark and on ships

All comparison figures for 2004 have been restated in accordance with the new business area organization.

Cherry Online

Net sales for the business area increased during the fourth quarter to SEK 57.7 (6.2) million and operating profit increased to SEK 7.9 (-2.8) million. The now wholly-owned Betsson operation contributed to the period's revenues with SEK 42.5 million and to operating profit with SEK 8.8 million. In addition, operating profit was affected by the Group's amortisation of acquired intangible assets, which arose in conjunction with the acquisition of Betsson, by SEK -1.6 (0.0) million.

For the entire year, the business area reported an increase in net sales to SEK 159.1 (25.0) million and a profit increase to SEK 16.7 (-5.4) million. Betsson has been consolidated into Cherry since 17 February, 2005, which affected revenues for



the year by SEK 111.1 million and operating profit by SEK 22.9 million. In addition, amortisation on acquired intangible assets, which arose in conjunction with the acquisition of Betsson, impacted operating profit by SEK -5.3 (0.0) million.

Betsson's development during Q4

Betsson has continued its strong growth during the quarter. The annual objective to achieve 200 000 registered customers was reached in the early part of the fourth quarter. The amount of registered players as of 31st Dec., amounted to 242 000, which is an increase of 28 per cent since Q3.

The amount of active players increased sharply during the quarter and amounted to 36 000 by the turn of the year, which is an increase of 42 per cent compared to Q3.

Betsson continues to show growth for all its products. This indicates that Betsson is developing its services in the right direction.

Betsson's poker again showed strong growth with 186 800 registered poker players by the end of 2005 compared to 145 500 at the end of Q3. This is an increase of 28 per cent. Under the period the amount of active poker players grew by 47 per cent to a total 30 900.

The launch of mobile poker has been a success with over 2 100 customers now playing poker for real money through their mobile phones, an increase of 61 per cent compared to the previous quarter.

For the betting exchange the amount of players increased by 32 per cent from Q3 to a total of 4 300 by the end of the year.

"Betsson Sport", which launched in May, 2005 increased by 71 per cent, from 3 100 in Q3 to 5 300 active players.

The amount of active casino players was 7 600 by the end of December compared to 6 200 in September, which equals a growth 23 per cent. The high activity in poker as well as a stronger product range for the casino are reasons for this success.

Cherry's Online Casinos

Cherry also operates gaming via online casinos in the Cherry Online business area. The focus is on CasinoEuro.com which is operated from Malta, with Europe as the main market.

The number of registered customers in Cherry online casinos has increased to 203 700, which represents an increase of 10 per cent over the previous quarter. The number of active customers during the quarter amounted to 8 300 which represents a 9 per cent increase from the previous quarter.

Gaming profit (revenue) from Cherry's online casinos during the fourth quarter was SEK 15.3 (4.3) million and over the whole year 48.0 (23.0).

Net Entertainment

Net Entertainment is a leading provider within B2B for online gaming. The company's brand is associated with innovation and quality. Net Entertainment develops gaming software that is licensed to an international customer base which today is comprised of over 30 different gaming companies. The revenue consists of royalties and other sales revenue.

The company is undergoing a large commitment within product development to further strengthen the company's competitive position, and the new games launched under 2005 show very high revenue. This, together with the market growth, bodes well for further growth in relation to phasing out of older games.

Under the fourth quarter Net Entertainment signed a deal with an Internet casino for delivery of a Casino Module. Net Entertainment's games will compliment the customer's existing range and the product will be delivered at the end of Q1 2006.

Revenue for the business area increased during the fourth quarter by 42 per cent to SEK 15.7 (11.0) million and operating profit increased to SEK 9.2 (5.6) million.

During the entire year, revenues increased by 37 percent to SEK 51.9 (37.9) million and operating profit rose 60 per cent to SEK 35.8 (21.6) million

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Net Entertainment also licences its software and sells its services internally within the group to Cherry Online. These revenues are not included in the figures shown above. For 2005, internal revenues from Cherry Online was SEK 20.6 (3.2) million.

Cherry Casino

The Cherry Casino business area is a merger of the former business areas Restaurant Casino, Maritime Gaming and New Markets.

The business area operates gaming activities including table games (blackjack and roulette) at 250 restaurants in Sweden; gaming machines and table games on 37 cruise ships in the Nordic market and on 5 vessels in the Mediterranean via a partly-owned company; gaming machines at 10 petrol stations in Denmark in a joint venture with Danish Shell. Cherry's part-ownership of the gaming operation in Chile has been sold with a marginal profit during Q4.

Cherry is the market leader in restaurant casinos in Sweden with a market share of 37 per cent of active gaming tables. Cherry's share of the maritime gaming market in the Nordic Region is estimated at 34 per cent of the number of vessels with gaming activities.

Fourth quarter revenues declined to SEK 63.0 (64.6) million and operating profit amounted to SEK 1.8 (2.7) million. Maritime gaming operations reported increased revenue and profit, while the other gaming operations reported reduced revenues and operating profits during the quarter.

For the entire year, revenues decreased to SEK 240.7 (247.4) million and operating profit amounted to SEK 7.0 (9.1) million. The acquired casino operations, Knutsson Casino and Engdahl Casino, added SEK 10.4 million to net sales during the year.

Personnel and organisation

The average number of Group employees during the period was 262 (254). The increase primarily relates to personnel in Net Entertainment and Cherry Online, whilst the amount of personnel in the traditional sectors decreased. The one-off cost for personnel reduction amounted to SEK 1 million for Q4. By the turn of the year there were a total of 814 (843) employees in the Cherry Group.

Events after the release of the report

Betsson launched a new site in the beginning of February. The new site lays the foundation of a continued strong growth. In connection to the new launch, Betsson also opened their own developed sports book.

Cherry Casino has signed gaming deals with four additional ships in the Mediterranean with traffic estimated to commence during Q2.

Cherry has appointed Handelsanken Capital Market as an exclusive financial advisor for the planned split of the Cherry group into three independent parts.

Outlook 2006

The board has suggested that Cherry's three business areas should split up into three independent listed companies. The board assesses that the three separate operations will be able to develop faster and stronger on their own. A split up also gives a clearer insight into the different operations and gives shareholders the opportunity to choose their level of risk and operational direction.

The proposal will be made so that Betsson continues its operation under the stock listed holdings company Cherryföretagen AB (publ). It is also proposed that Cherry changes its name to Betsson.

Betsson (currently Cherry Online) is estimate to at least double their revenue under 2006.

EU's openings in the gaming market will sooner or later entail increased opportunities for all Cherry's business sectors.

Cherry will not give a forecast for 2006.

Dividend

The Board suggests that the annual general meeting decides that no cash dividend should be paid.

Annual General Meeting 2006

Cherry's annual meeting is planned to be held on Monday, 15th of May, 2006, at 3 PM in Stockholm. A venue will be mediated at a later time.

Shareholders wishing discuss a certain topic at the annual meeting should send a written proposal to: Director of the Board, Cherryföretagen AB (publ), Birger Jarlsgatan 57 B, 113 56 Stockholm, Sweden, seven weeks prior to the start of the meeting (27 March) at the latest to ensure that the topics can be included in the agenda.

Additional information about how and when to register will be made public before the annual meeting.

Financial Reports

The Yearly Report for 2005 is estimated to be released during week 17 and will be made available for the public at the company's head quarter as well as the company's website.

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|-----------------------------|-------------------|
| • Quarterly Report Q1, 2006 | May 15, 2006 |
| • Quarterly Report Q2, 2006 | August 18, 2006 |
| • Quarterly Report Q3, 2006 | November 13, 2006 |

For further information, please refer to the summaries included in the quarterly and full year report of the Group's income statement, balance sheet, equity summary, cash flow statement as well as notes and key ratios for the period and comparison period, and the parent company's yearly report (Note 7).

Stockholm den 16 februari 2006

Pontus Lindwall
CEO and President

Auditor's Report

I have reviewed the interim report for the twelve-month period ended December 31, 2005, for Cherryföretagen AB (publ). I conducted my review in accordance with the recommendation issued by FAR. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the interim report does not comply with the requirements for interim reports in the Annual Accounts Act and IAS 34.

Umeå, February 16, 2006

Gunnar Liljedahl
Authorized Public Accountant
Ernst & Young AB

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Cherry is a publicly traded Swedish gaming company with around 3,800 shareholders. The company's B-share is listed on the Stockholm Stock Exchange's O-List. Operations are concentrated mainly in online, casino and machine gaming. Gaming operations are primarily run via the online casinos and the betting exchange Betsson.com. Through Cherry Casino, gaming operations are run in restaurants in Sweden, on cruise ships and amusement halls. Cherry employs approximately 800 people.

Amounts in SEK millions unless otherwise specified

Consolidated income statement		Not	Q4 2005	Q4 2004	Full Year 2005	Full Year 2004
Net sales			136.6	82.3	452.4	311.1
External expenses			-82.2	-47.5	-262.7	-177.3
Personnel expenses			-33.6	-28.4	-122.0	-104.3
Depreciation according to plan			-6.3	-3.5	-21.3	-12.9
Other operating expenses			-0.6	0.0	-0.6	0.0
Operating expenses			-122.7	-79.4	-406.6	-294.5
Operating profit/loss			13.9	2.9	45.8	16.6
Profit/loss from financial investments	2.		2.8	-2.2	141.3	-0.1
Profit/loss after financial items			16.7	0.7	187.1	16.5
Taxes			0.3	-0.4	-9.0	-4.4
Profit/loss after tax			17.0	0.3	178.1	12.1
Attributable to:						
Parent company's shareholders			16.3	0.3	178.6	11.4
Minority interest			0.7	0.0	1.2	0.7
Profit/loss after tax			17.0	0.3	179.8	12.1
Profit/loss per share (SEK)			0.43	0.01	4.91	0.37
Profit/loss per share after dilution (SEK)			0.41	0.01	4.73	0.36
Proposed/implemented dividend per share (SEK)			0.00	0.00	0.00	0.00

Group per segment/business area		Not	Q4 2005	Q4 2004	Full Year 2005	Full Year 2004
Net sales	Cherry Online		57.7	6.2	159.1	25.0
(external)	Net Entertainment		15.7	11.0	51.9	37.9
	Cherry Casino		63.0	64.8	240.7	247.4
	Group-wide		0.2	0.3	0.7	0.8
	Group		136.6	82.3	452.4	311.1
Operating profit/loss	Cherry Online		7.9	-2.8	16.7	-5.4
	Net Entertainment		9.2	5.6	35.8	21.6
	Cherry Casino		1.8	2.7	7.0	9.1
	Group-wide		-5.0	-2.6	-13.7	-8.7
	Group		13.9	2.9	45.8	16.6

Cherry Online's operating profit is affected by amortisation of identifiable intangible assets which arose in conjunction with the acquisition of Betsson. Amortisation was SEK -1.6 million for the quarter and -5.3 million for the entire reporting period.

Amounts in SEK millions unless otherwise specified

Consolidated balance sheet	Note	2005-12-31	2004-12-31
Intangible fixed assets	3.	395.2	18.5
Tangible fixed assets		27.3	27.8
Financial assets		2.3	34.9
Inventories		1.9	2.4
Current receivables		68.3	44.0
Current investments		0.0	4.1
Cash and liquid assets		78.4	19.9
Total assets		573.4	151.6
Equity	2,3,6.	474.1	101.3
Long-term provision deferred tax	3.	14.4	2.0
Long-term liabilities		13.0	7.5
Current liabilities		71.9	40.8
Total equity and liabilities		573.4	151.6

Consolidated cash flow statement	Note	Full Year 2005	Full Year 2004
Profit/loss after financial items		187.1	16.5
Adjustment for non-cash items		-115.8	10.3
Taxes paid		-3.8	-0.5
Cash flows from operating activities before changes in working capital		67.5	26.3
Changes in working capital		0.6	-9.7
Cash flows from operating activities		68.1	16.6
Investments		-29.4	-31.4
Investments in acquisition of subsidiaries	4.	2.0	0.0
Change in long-term receivables		-0.3	-3.3
Sale of shares and tangible fixed assets		11.9	5.3
Cash flow from investing activities		-15.8	-29.4
Dividend paid to minority shareholders in subsidiaries		-	-1.1
New share issue expenses		-0.2	0.0
Change in long-term liabilities		5.4	2.0
Cash flow from financing activities		5.2	0.9
Changes to cash and liquid assets		57.5	-11.9
Cash and liquid assets at beginning of period		19.9	31.8
Exchange rate differences		1.0	0.0
Cash and liquid assets at end of period		78.4	19.9

Amounts in SEK millions unless otherwise specified

Changes in Group equity	Note	Full Year 2005	Full Year 2004
Opening equity, beginning of year		101.3	75.8
Opening minority interest in accordance with IFRS 27		-	2.2
Effect from changed accounting principles for financial instruments, O/B value 2005	2,3,6.	222.9	-
Less financial instruments from external sales		-2.8	-
Change in value of financial instruments available for sale	2.	32.0	-
Less change in value of shares in Betsson at consolidation		-57.6	-
Non-cash share issues relating to acquisitions		-	12.7
New share issue costs		-0.1	-
Dividend paid to minority shareholders for the period		-	-1.1
Effect of sales of partly owned companies		0.2	-
Translation differences		0.3	-0.4
Profit/loss for the period - parent company's shareholders		176.9	11.4
- minority interest		1.2	0.7
Closing equity, end of period		474.3	101.3
Changes in minority share of Group equity		Full Year 2005	Full Year 2004
Minority's share of opening equity in accordance with IFRS 27		1.8	2.2
Dividend to minority shareholders in subsidiaries		0.0	-1.1
Cherry's acquisition of Betsson February 2005	4.	24.5	-
Cherry's acquisition of minority share in Betsson April 2005	4.	-24.5	-
Effect of sales of partly owned companies		0.2	-
Translation differences		-0.1	-
Profit/loss for the period		1.2	0.7
Minority share of closing equity		3.1	1.8
Accumulated translation differences in equity		Full Year 2005	Full Year 2004
Amount at beginning of the period		0.6	1.0
Exchange rate differences in foreign subsidiaries		0.3	-0.4
Amount at end of the period		0.9	0.6
Key ratios, Group		Full Year 2005	Full Year 2004
		2005-12-31	2004-12-31
Number of outstanding shares at end of period (millions)		38.1	31.2
Number of outstanding shares after full dilution (millions)		39.6	32.7
Average number outstanding shares during period (millions)		36.1	31.0
Average number outstanding shares after full dilution (millions)		37.6	32.5
Number of own shares		0.0	0.0
Number of registered shareholders		3 785	2 828
Last paid share price (SEK)		28.20	20.80
Profit per share after taxes (SEK)		4.91	0.37
Profit per share after tax, after dilution (SEK)		4.73	0.36
Cash flow per share (SEK)		1.62	-0.39
Cash flow per share after dilution (SEK)		1.57	-0.37
Equity per share (SEK)		12.38	3.19
Equity per share after dilution (SEK)		12.06	3.24
Dividend per share (SEK)		0.00	0.00
Return on equity (per cent)		44	13
Return on total capital (per cent)		40	13
Return on capital employed (per cent)		46	19
Operating margin (per cent)		10.1	5.3
Profit margin (per cent)		41.4	5.3
Equity/assets ratio (per cent)		83	67
Quick ratio (per cent)		204	167
Investments (SEK M)		29.4	31.4
Cash and liquid assets (SEK M)		78.4	19.9
Average number of employees (full-time equivalents)		262	254
Number of employees at end of period		814	843

Note 1. Accounting principles

This report has been prepared in accordance with IAS 34 Interim Financial Reporting, which follows the provisions of the Swedish Financial Accounting Standards Council's recommendation RR31 Interim Financial Reporting for Groups. The parent company's report has been prepared in accordance with RR 32 Accounting for Legal Entities. The accounting principles applied in this interim report are accordance with the principles given in the 2004 annual report.

The accounting principles applied in this report are as described in the consolidated financial statements in the 2004 annual report, note 34. This note states that International Financial Reporting Standards (IFRS) will be applied with effect from 2005 and that comparison figures relating to 2004 will be restated in accordance with the new principles, with the exception of those which apply to financial instruments. In accordance with the rules for transition to IFRS, the new principles for financial instruments are applied only in the parts of the accounts concerning 2005.

According to IFRS 1, reporting will be prepared in accordance with the IFRS standards that apply on December 31, 2005. These standards must also have been approved by the EU.

The effects on shareholders' equity at the beginning of this year and at the beginning of 2004, when figures are restated according to the new principles, are shown in note 6 of this report. The effects of restating comparison figures for full-year 2004 results, and for equity at the end of the year 2004, are described in note 5 of this interim report.

Corresponding information relating to the full year 2004 and shareholders' equity at the end of 2004 is also shown in note 34 of the 2004 annual report, which is available on the company's website.

A correction was made in the Q2 report. It applied for deferred tax receivables which in the 2004 annual report and the quarterly report for Q1 2005 were incorrectly reported as current receivables. As of the Q2 report, deferred tax receivables are reported as long-term receivables (included in financial assets). All comparison figures for previous periods have been recalculated.

In view of the definitive analysis of the acquisition of Betsson, the difference between the change in value according to IFRS of Cherry's shareholdings in Betsson before 2005 and the historical value has been returned to own capital with the consolidation of Betsson as a subsidiary. This means that equity and goodwill has decreased by SEK 57.6 million compared to the amounts given in previous reports during 2005.

Note 2. Reporting of change in value of financial instruments

During the first quarter, a measurement of financial instruments was done regarding GBE Holdings Ltd. (Betsson) at fair market value. This applied to Cherry's holdings of shares and derivatives (subscription rights and call options) in Betsson before the acquisition on February 17. At the beginning of 2005, the shares and derivatives were measured at fair market value, which was reported directly to shareholders' equity. The valuation was based on a calculated value of the company of SEK 350 million, as at January 1, 2005. See note 6 in this report and note 34 in the 2004 annual report.

The valuation of Betsson conducted in conjunction with Cherry's acquisition of the company during Q1, amounted to SEK 590 million. Under IFRS, the fair value of Cherry's holding of financial instruments in Betsson is measured at the fair market value immediately before the transaction, which means that Betsson becomes a subsidiary of Cherry (acquisition date).

For this measurement at fair value, the classification of financial instruments shown in note 34 of the 2004 annual report is used, which means that:

- Shares which are not shares in subsidiaries or associated companies are classified under the category available for sale. Measurement is at fair market value, with the change in value reported directly to shareholder' equity until the asset is sold or permanent value impairment is identified, which is then recognized in the income statement. Cherry's holding in Betsson amounted to 17.3 percent at the time. The fair value measurement meant an increase to the carrying amount by SEK 32 million, with the change in value reported directly to shareholders' equity.
- Derivatives are classified as assets measured at fair market value and for which the change in value is reported in the income statement. Cherry held subscription rights and call options in Betsson enabling it to acquire up to 71 percent of the total number of shares in the company at fixed prices. Measurement of these derivatives at fair market value before the acquisition produced an increase in the reported value of SEK 135 million which, in accordance with IFRS, was reported in the income statement during the first quarter.

Note 3. Reporting and entering GBE Holdings Ltd (Betsson) in the consolidated balance sheet

At the beginning of 2005, Cherry's holding in Betsson corresponded to 17.3 of the total number of shares in the company, plus a convertible debenture loan. Under an agreement between the companies, Cherry was entitled to convert the debentures into shares at a fixed price in February 2005 and to purchase more shares in the company, also at a fixed price. These two transactions would result in Cherry holding 71 percent of the total shares in Betsson. If Cherry exercised its call options, this also represented an undertaking to acquire the remaining shares in Betsson at a market value determined by a valuation conducted by two independent external parties.

Acquisition of up to 71 percent during the first quarter

Cherry converted its debentures and called in the options on February 17, 2005. With effect from this date, Betsson is considered a subsidiary (71%-owned) and consolidated into the Cherry Group.

Betsson has been consolidated at cost of acquisition SEK 362.7 million in the Group's balance sheet (in accordance with the fair value measurement of Cherry's financial instruments owned before the acquisition. See notes 2 and 6).

In accordance with IFRS 3, the acquirer shall, at the acquisition date, identify, measure and allocate the acquiree's identifiable assets, liabilities and contingent liabilities. Identifiable intangible assets shall also be allocated and measured at fair market value if they satisfy certain conditions. For these assets, an estimate of the economic life is made, after which the asset is amortised according to the estimated economic life. If the cost of acquisition exceeds the net fair value of the acquired part of the acquiree's identifiable assets, liabilities and contingent liabilities, this is recognized as goodwill. Goodwill which arises is not amortised. Instead, the acquirer shall carry out an impairment test at least once a year.

Cherry has used external experts to identify and calculate the following assets and liabilities in Betsson at the date of acquisition and to estimate economic life:

- Customer database, SEK 9 million, remaining life 2 years
- Surplus value computer system/technical platform, SEK 9 million, remaining life 5 years
- Trademarks, SEK 77 million, indefinite life
- Deferred tax on above assets, SEK 14 million, of which deferred tax on customer database and computer systems is reversed in line with depreciation/amortisation of these assets

The valuation resulted in a goodwill entry of SEK 278.1 million, which according to IFRS is not amortised.

As Cherry had acquired 71 percent of Betsson at the end of the first quarter, the minority share of the acquired assets and liabilities (excluding goodwill) in that company amounted to SEK 24.5 million at March 31, 2005.

Acquisition of the remaining 29 percent during the second quarter

At the extraordinary general meeting of shareholders on April 18, Cherry acquired the remaining 29 percent of the shares in Betsson, which was paid for with the company's own shares. Cherry issued a total of 6.855.000 shares at a price of SEK 33.50. In the consolidated financial statements, this transaction resulted in the above described minority share falling to Cherry's shareholders (internal transfer in equity) and dilution. During Q2 all acquisition-costs were known. This increased the goodwill entry by SEK 0.4 million to a total of SEK 278.5 million.

Effects since the acquisition

The amortisations on the identifiable intangible assets described above will be SEK 6.3 million during year 1 and year 2 and SEK 1.8 million during years 3-5 after the acquisition. The amortisations affect business area Cherry Online's operating profit.

External experts have during the last quarter 2005 made an Impairment Test according to IAS 36 of the acquired goodwill. The outcome of the test shows that the recoverable amount - calculated both as "Value in use" and "Fare value less cost to sell" - were not below the booked value.

Note 4. Reporting of acquisition of subsidiary in the consolidated cash flow statement 2005

During the year, the company GBE Holding Ltd (Betsson) was acquired. The value of the acquired assets and liabilities were, according to the pre-acquisition analysis, as follows:

Goodwill	278.5
Intangible Assets	100.0
Tangible Assets	0.3
Current receivables	32.5
Cash and liquid assets	6.3
Deffered tax	-14,3
Current liabilities	<u>-40.2</u>
Acquisition price	363.1
Of which paid cash	-4.3
Cash and liquid assets in the acquired company	<u>-6.3</u>
Effect on the Group's cash and liquid assets	2.0

Note 5. IFRS-bridge, income statements and closing balances 2004

The effects of adjustments of comparison figures for the full year 2004, and the closing positions at December 2004 resulting from the transition to IFRS, are shown below.

Income statement	Full year, January-December 2004			
		Per Sw GAAP	Change IFRS	Per IFRS
Net sales		311.1		311.1
Operating expenses	A.	-296.1	1.6	-294.5
Operating profit/loss		15.0	1.6	16.6
Profit/loss from financial investments		-0.1		-0.1
Profit/loss after financial items		14.9	1.6	16.5
Minority interest	B.	-0.7	0.7	0.0
Taxes		-4.4		-4.4
Profit/loss after tax		9.8	2.3	12.1
Balance sheet	O/B at 2004-Dec-31			
		Per Sw GAAP	Change IFRS	Per IFRS
Intangible assets	C.	17.0	1.5	18.5
Tangible fixed assets		27.8		27.8
Financial assets		34.9		34.9
Inventories		2.4		2.4
Current receivables		44.0		44.0
Current investments		4.1		4.1
Cash and liquid assets		19.9		19.9
Total assets		150.1	1.5	151.6
Equity		98.0	3.3	101.3
Minority interest	D.	1.8	-1.8	0.0
Long-term provision deferred tax		2.0		2.0
Long-term liabilities		7.5		7.5
Current liabilities		40.8		40.8
Total equity and liabilities		150.1	1.5	151.6

A.
In accordance with IFRS 3, goodwill amortisation ceases. The amounts relate to reversed amortisation for goodwill arising from the acquisition of subsidiaries.

B.
In accordance with IFRS, no deductions for minority share of the period's result will be made in the income statement. Instead, the result attributed to the parent company's shareholders and the minority interest is distributed in connection with the income statement.

C.
Goodwill has not been restated for acquisitions prior to January 1, 2004.

D.
As a result of the transition to IFRS, minority interests are classified as a separate item under shareholders' equity.

E.
IAS 32 and IAS 39, regarding financial instruments, are applied from 2005 and the comparison figures for 2004 have in accordance with the transition rules not been recalculated.

Note 6. IFRS bridge. 2005 and 2004 opening balances

The effects of adjustments resulting from the transition to IFRS for opening balances in 2005 and 2004 are shown below.

Balance sheet		O/B at 2005-Jan-01			O/B at 2004-Jan-01		
		Per Sw GAAP	Change IFRS	Per IFRS	Per Sw GAAP	Change IFRS	Per IFRS
Intangible assets	A.	17.0	1.5	18.5	11.0		11.0
Tangible fixed assets		27.8		27.8	25.0		25.0
Financial assets	B.	34.9	222.9	257.8	14.3		14.3
Inventories		2.4		2.4	2.4		2.4
Current receivables		44.0		44.0	31.8		31.8
Current investments		4.1		4.1	3.7		3.7
Cash and liquid assets		19.9		19.9	31.8		31.8
Total assets		150.1	224.4	374.5	120.0	0.0	120.0
Equity	D.	98.0	226.2	324.2	75.8	2.2	78.0
Minority interest	C.	1.8	-1.8	0.0	2.2	-2.2	0.0
Long-term provision deferred tax		2.0		2.0	0.7		0.7
Long-term liabilities		7.5		7.5	5.5		5.5
Current liabilities		40.8		40.8	35.8		35.8
Total equity and liabilities		150.1	224.4	374.5	120.0	0.0	120.0

A.

In accordance with IFRS 3, goodwill amortisation ceases. The amount relates to reversed amortisation in 2004 for goodwill arising from the acquisition of subsidiaries.

B.

IAS 32 and IAS 39, regarding financial instruments, are applied from 2005. Shares in other unlisted companies (Betsson and Betware) have been reported in the opening balance at fair market value. For Betware, the shares were valued at the price of the last known transaction, and accordingly a revaluation of SEK 2.8 million was made and reported directly to shareholders' equity pending external sale. The shares in Betsson and the subscription rights/call options owned by the Group on January 1 were measured at fair market value, which resulted in a revaluation of SEK 220.1 million, reported directly to shareholders' equity. The fair market value of the company Betsson was estimated at SEK 350 million at the beginning of 2005, based on the external valuation conducted at the date of acquisition and which finally amounted to SEK 590 million. A subsequent downward adjustment of this value was made, based on price movements of shares in similar companies in the period from January 1 to the date of acquisition.

C.

As a result of the transition to IFRS, minority interests are classified as a separate item under shareholders' equity.

D.

Goodwill has not been restated for acquisitions prior to January 1, 2004.

Note 7. The parent company's full year report

The parent company provides and sells internal services to other group member companies in the areas of finance, accounting, administration and management, and in addition has certain external licensing revenues.

Net sales for the full year amounted to SEK 4.5 (2.0) and profit after financial items amounted to SEK 117.2 (-9.0) million. Valuation of financial instruments to a fair market value has affected the net financial income for the full year by SEK 135.0 (0.0) million.

During the year, the parent company's investments in assets amounted to SEK 22.2 million.

Cash and liquid assets on the balance date amount to SEK 19.9 million compared to SEK 1.6 million at the turn of last year. The company has no bank loans or bank credits.